

STAFF REPORT

To: Planning and Economic Development Committee Date: February 18, 2014
From: Cathy Ball, PE, Assistant City Manager
Via: Gary Jackson, City Manager
Subject: Adoption of Municipal Service Districts (MSDs)

Summary Statement: The consideration of the adoption of three Municipal Service Districts (MSDs) to include the River Arts District, an extension of the South Slope, and North Charlotte Street Corridor in accordance with NCGS 159I-30.

Review: Following City Council's adoption of the budget in June 2014 that included a two cent tax increase for Community and Economic Development Capital Improvement Program, staff has been working on an implementation plan. In addition to developing a list of specific projects that would have the greatest return on investment, we have been working with Parker Poe, the City's Bond Counsel, on the best ways to finance infrastructure capital improvements. I have attached a memorandum from Scott Leo, an attorney at Parker Poe, detailing various methods of financing.

For the majority of the projects we anticipate constructing, Parker Poe is recommending that we pursue Special Obligations Bonds (SOBs). The City has never utilized this type of financing. One of the requirements of SOBs is that they can only be used for projects that are contained in an adopted Municipal Service District (MSD). An MSD is a definite geographical boundary of an urbanized area of the City and is clearly defined in the General Statutes.

Prior to being able to utilize Special Obligations Bonds, the MSD boundaries must be adopted by City Council prior to July 1 of the previous fiscal year. Staff is recommending the approval of three new MSDs this fiscal year. In 2013, City Council adopted an MSD for the Central Business District as recommended by the Business Increment Development (BID) Committee. A map of that area is attached. The three additional areas are the Charlotte Street Corridor, the River Arts District, and an extension of the South Slope. These four areas have planned infrastructure improvements in the proposed five year capital improvement program.

Pro:

- Allow funding mechanism for capital improvements at a lower interest rate and administrative cost than other funding methods.

Con:

- NCGS 159I-30 allows local governments to apply a tax overlay to MSDs. It is not the intention of staff to recommend this as an option or a reason to adopt a MSD. An MSD boundary must be adopted by City Council to utilize Special Obligation Bonds for specific capital projects. Staff is proposing a financing structure to pay the debt service on the bonds with funds from the two cent tax increase.

Fiscal Impact: By utilizing Special Obligation Bonds, the City would save money on administration of issuing bonds as well as interest rates because the collateral for the bonds is more secure.

Recommendation: The consideration of the adoption of three Municipal Service Districts (MSDs) to include the River Arts District, an extension of the South Slope, and North Charlotte Street Corridor in accordance with NCGS 159I-30.

Attachment:

- (1) Parker Poe Memorandum
- (2) Map of the CBD adopted MSD
- (3) General Map of MSDs
- (4) RAD, extension of South Slope and Charlotte Street proposed MSDs